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VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Notice of *Ex Parte* Communication: *Business Data Services In an Internet Protocol Environment, et al.*, WC Docket Nos. 16-143, 05-25, RM-10593; *Connect America Fund, et al.*, WC Docket Nos. 10-90, 14-58; CC Docket No. 01-92; *Rural Health Care Support Mechanism*, WC Docket No. 02-60

Dear Ms. Dortch:

On Thursday, August 11, 2016, Anand Vadapalli, President and Chief Executive Officer of Alaska Communications, and the undersigned, met in separate meetings with: Phillip Verveer, Senior Counselor, and Stephanie Weiner, Senior Legal Advisor, to Chairman Wheeler, and Howard J. Symons, General Counsel; Commissioner Mignon Clyburn and her Legal Advisor, Claude Aiken; Travis Litman, Senior Legal Advisor to Commissioner Rosenworcel; Commissioner Ajit Pai and his Legal Advisor, Nicholas Degani; Commissioner Michael O’Rielly and his Legal Advisor, Amy Bender; and Paul de Sa, Chief, Office of Strategic Planning and Policy Analysis.

With regard to Business Data Services (“BDS”), we pointed out that, in Alaska, BDS markets are highly competitive, except in off-road areas. BDS markets in Alaska are likely unique in that, although Alaska Communications is an incumbent local exchange carrier (“ILEC”), its primary competitor, General Communication, Inc. (“GCI”), is far larger and has far greater resources with which to compete. We explained that GCI is roughly four times the size of Alaska Communications by revenue, and six times the size of Alaska Communications in profit. Reflecting this disparity, we reiterated that, while Alaska Communications has less than a 25 percent market share for BDS in Alaska, GCI has roughly a two-thirds share.¹ Prices for a variety of BDS offerings have been declining for a number of years.

Thus, the Commission is unlikely to improve the affordability or availability of BDS to business customers in Alaska by imposing additional price regulation on the BDS offerings of Alaska Communications. We therefore urged the Commission to defer to a later date any consideration of changes to the regulation of BDS in Alaska, in light of the state’s unusual market dynamics, and because the Commission’s special access data does not reflect complete information on the size or relative market positions of all of Alaska’s BDS providers.

¹ See *Ex Parte* Letter from Karen Brinkmann, Counsel to Alaska Communications, WC Docket Nos. 16-143 and 05-25, RM-10593 (filed Sept. 2, 2016), Attachment: “Declaration of Beth R. Barnes,” at 2 (“Alaska Communications has around 18 percent market share, GCI has around 62 percent market share and all other companies, such as MTA and Cordova Telephone Cooperative, have around 20 percent market share.”).

If the Commission nevertheless moves forward with re-regulation of BDS in Alaska, we urged the Commission to impose new price regulation, if at all, on the state's most dominant BDS provider that controls the large majority of the market, GCI. This proceeding offers one of the last opportunities in the near term for the Commission to improve access to GCI's currently unregulated monopoly terrestrial middle mile transport facilities in the Alaskan Bush, which are essential to the delivery of BDS in Bush communities served by Alaska Communications. We pointed out that GCI uses its monopoly control of those facilities to foreclose wireless voice and data competition in the Bush (because national mobile service providers cannot obtain affordable backhaul), as well as wireline broadband Internet access and data services that rely on BDS. Distributions of support from the Rural Health Care ("RHC") and Schools and Libraries ("E-rate") Universal Service Support Mechanisms confirm that, in the Alaska Bush, GCI controls nearly 100 percent of the market for those services, while the Alaska Communications share hovers in the single digits.

With respect to rural health care, we highlighted the critical role that RHC funding has played in improving health care in Alaska Native villages and other Bush locations. Using broadband connections to the Alaska Native Tribal Health Clinic in Anchorage and specially designed medical carts that provide the most commonly needed technology and capabilities, regional and village clinics have dramatically improved the quality of care in Alaska, and reduced the need for those in need of care to undertake difficult journeys to larger population centers. We observed that the RHC mechanism's \$400 million funding cap has remained unchanged since its inception two decades ago, and that quantum leaps in technological capabilities and demand had now caused the program to approach that cap for the first time. We urged the Commission to open a proceeding to examine new opportunities to improve the RHC mechanism, as well as appropriate increases to the funding cap and authority for USAC to carry unused funding forward to subsequent funding years.

Finally, we thanked the Commission for its diligent efforts to complete work on finalizing the conditions associated with funding under the Connect America Fund, Phase II mechanism for Alaska.

Marlene H. Dortch, Secretary
Federal Communications Commission
WC Docket Nos. 16-143, 05-25, 10-90, 14-58, 02-60; CC Docket No. 01-92; RM-10593
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Pursuant to Section 1.1206(b) of the Commission's rules, 47 C.F.R. § 1.1206(b), this letter is being filed in the above-referenced dockets. Please direct any questions concerning this matter to me.

Very truly yours,

Richard R. Cameron
Counsel to Alaska Communications

cc: Mignon Clyburn
Ajit Pai
Michael O'Rielly
Phillip Verveer
Stephanie Weiner
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